

Name(s) as shown on Form N-11, N-15, N-20, N-30, N-35, N-40, or, N-70NP	SSN or FEIN
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1	Enter the amount of your federal tax credit from federal Form 6765 for the 2014 tax year (Attach a copy of federal Form 6765) .....	1	
2	Enter the amount of your eligible research expenses reported on federal Form 6765 for the 2014 tax year <b>and</b> the amount of your eligible research expenses attributable to research activity conducted IN HAWAII for the 2014 tax year: (See instructions)		
		<b>Column A</b> Reported On federal Form 6765	<b>Column B</b> IN HAWAII
a	Certain amounts paid or incurred to energy consortia	2a	
b	Basic research payments to qualified organizations .....	2b	
c	Wages for qualified services (do not include wages used in figuring the federal work opportunity credit) .....	2c	
d	Cost of supplies .....	2d	
e	Rental or lease costs of computers .....	2e	
f	Enter the applicable percentage of contract research expenses .....	2f	
g	Total Eligible Research Expenses. Add lines 2a through 2f, and enter result .	2g	
3	Percentage of eligible research expenses attributable to Hawaii. Divide line 2g, Column B by line 2g, Column A. Enter the result as a decimal rounded to six (6) decimal places .....	3	
4	Tentative tax credit for research activities. Multiply line 1 by line 3 .....	4	
5	Flow through of Hawaii tax credit for research activities received from other entities, if any. Check the applicable box below. Enter the name and Federal Employer I.D. No. of Entity:		
	<input type="checkbox"/> a Partner — enter amount from Schedule K-1 (Form N-20), line 27 .....		
	<input type="checkbox"/> b S corporation shareholder — enter amount from Schedule K-1 (Form N-35), line 16l .....		
	<input type="checkbox"/> c Beneficiary — enter amount from Schedule K-1 (Form N-40), line 7d .....		
	<input type="checkbox"/> d Patron — enter the amount from federal Form 1099-PATR.....	5	
6	<b>Total credit allowed</b> — Add lines 4 and 5. Enter the result here, rounded to the nearest dollar, and on the appropriate line for the credit on Schedule CR (for Form N-11, N-15, N-30, and N-70NP filers); Form N-20, Schedule K; Form N-35, Schedule K; or Form N-40, Schedule F (for the estate's or trust's share) and/or Schedule K-1 (for the beneficiaries' share); whichever is applicable.....	6	

**FORM N-346**

In particular, Act 270 adopts IRC section 41 as of December 31, 2011, with the further requirement that eligible research expenses do not include research expenses incurred outside of Hawaii. If the amount of the Hawaii credit exceeds the amount of the taxpayer's Hawaii tax liability (if any) for the applicable tax year, the difference is refunded to the taxpayer.

Significantly, Act 270 adopts the base amount as set forth under IRC section 41(c), such that only the increasing incremental amounts are eligible for the credit. Act 270 also requires that in order for a taxpayer to claim the Hawaii TCRA, said taxpayer must also claim the federal tax credit for increasing research activities under IRC section 41. For more information, see Tax Information Release No. 2013-02.

### Purpose of Form

Use Form N-346 to figure and claim the TCRA under section 235-110.91, Hawaii Revised Statutes (HRS).

### Who May Claim the Credit

This credit may be claimed by a qualified high technology business (QHTB) as defined under section 235-7.3(c), HRS. Any partnership, S corporation, estate, trust, or cooperative that allocates this credit (including a pro rata share of the credit from a flow-through entity) must attach Form N-346, Form N-346A, and federal Form 6765 to its income tax return. Taxpayers claiming their pro rata share of the credit must also attach a copy of their Schedule K-1s.

### When the Credit May Not Be Claimed

This credit may not be claimed if any of the following apply to your tax situation:

- (1) You are claiming the Ethanol Facility Tax Credit for the same tax year.
- (2) You are not claiming the federal tax credit for research activities under IRC section 41.
- (3) You have no eligible Hawaii research expenses.

### Credit Requirements

In order to claim the credit, the following requirements must be satisfied:

- (1) The credit must be certified by the Department of Taxation. See Form N-346A for more information.
- (2) The credit form (Form N-346), certification form (Form N-346A), federal Form 6765, Schedule K-1s (pro rata share credit claims), and Schedule CR (for Form N-11, N-15, N-30, and N-70-NP filers) must be attached to the taxpayer's income tax return.
- (3) The QHTB must complete an annual survey as prescribed by the Department of Business, Economic Development, and Tourism (DBEDT). See DBEDT's website [dbedt.hawaii.gov](http://dbedt.hawaii.gov) for more information.

Failure to satisfy these requirements shall constitute a waiver of the right to claim the credit.

### Calculation of the Hawaii TCRA

In order for a taxpayer to compute the amount of the Hawaii TCRA, it is necessary for the taxpayer to compute the amount of the federal tax credit for increasing research activities (using federal Form 6765) prior to calculating the Hawaii TCRA, since the federal tax credit for increasing research activities is the baseline upon which the Hawaii TCRA is measured.

Calculation of the Hawaii TCRA involves a straight forward calculation by multiplying the federal tax credit for increasing research activities by a fraction, the numerator of which is the amount of eligible research expenses for research conducted in Hawaii and the denominator of which is the amount of expenses eligible for the federal tax credit for increasing research activities.

### Deadline For Claiming the Credit

Claims for the credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year. Failure to properly claim the credit shall constitute a waiver of the right to claim the credit.

### SPECIFIC INSTRUCTIONS

**Note:** If you are claiming your share of the TCRA from a partnership, S corporation, estate, trust, or cooperative, skip lines 1 through 4 and start on line 5.

Enter your fiscal or short tax year in the space provided.

**Line 1** — Enter the amount of your federal tax credit for increasing research activities calculated on federal Form 6765. Attach a copy of your federally filed Form 6765 for tax year 2014 to Form N-346.

**Lines 2a through 2f, Column A** — Enter in Column A the amount of the eligible research expenses reported on federal Form 6765 for the 2014 tax year.

If you are claiming the **Regular Credit** for federal income tax purposes, then enter the amount reported on federal Form 6765, line 1 (certain amounts paid or incurred to energy consortia), line 2 (basic research payments to qualified organizations), line 5 (wages for qualified services not used in figuring the federal work opportunity credit), line 6 (cost of supplies), line 7 (rental or lease costs of computers), and line 8 (the applicable percentage of contract research expenses).

If you are claiming the **Alternative Simplified Credit** for federal income tax purposes, then enter the amount reported on federal Form 6765, line 18 (certain amounts paid or incurred to energy consortia), line 19 (basic research payments to qualified organizations), line 24 (wages for qualified services not used in figuring the federal work opportunity credit), line 25 (cost of supplies), line 26 (rental or lease costs of computers), and line 27 (the applicable percentage of contract research expenses).

**Lines 2a through 2f, Column B** — Enter in Column B the amount of the eligible research expenses attributable to research activity conducted IN HAWAII for the 2014 tax year and which are part of the amounts reported on lines 2a through 2f, Column A.

If you are claiming the **Regular Credit** on federal Form 6765, then enter the amount of the eligible Hawaii research expenses included on federal Form 6765, lines 1, 2, 5, 6, 7, and 8.

If you are claiming the **Alternative Simplified Credit** on federal Form 6765, then enter the amount of the eligible Hawaii research expenses included on federal Form 6765, lines 18, 19, 24, 25, 26, and 27.

**Note:** Expenses attributable to research activities OUTSIDE HAWAII do not qualify for the credit.

**Line 3** — Divide line 2g, Column B by line 2g, Column A. Enter the result here rounded to six (6) decimal places. This is the percentage of the eligible research expenses for research conducted in Hawaii.

**Line 4** — Multiply line 1 by line 3. Enter the result here. This is your tentative TCRA.

**Line 5** — If you are claiming your share of the TCRA from a partnership, S corporation, estate, trust, or cooperative, then enter the amount here. Also, enter the name and federal employer identification number of any flow-through entity who has passed the TCRA through to you. If additional space is needed, include the information on an attached schedule.

**Line 6** — Add lines 4 and 5. This is your total TCRA allowed for the 2014 tax year. Enter the amount here, rounded to the nearest dollar, and on the appropriate line for the credit on Schedule CR (for Form N-11, N-15, N-30, and N-70NP filers); Form N-20, Schedule K; Form N-35, Schedule K; or Form N-40, Schedule F (for the estate's or trust's share) and/or Schedule K-1 (for the beneficiaries' share); whichever is applicable.